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NEWS BRIEFS

Carvel dead at 84

PINE PLAINS, N.Y. — Tom Carvel, a former truck mechanic who turned a $15 loan from his wife into the third-largest ice cream chain in the country with annual revenues that approached $300 million, has died at his home here of unknown causes. He was 84.

A Greek immigrant who was best remembered for his throaty radio and TV voice-overs for the 700-unit chain which bears his name, Carvel began the company as a one-man trailer operation in Hartsdale, N.Y.

Last year, Carvel sold his stake in the company to Investcorp, an international banking concern for a reported $80 million. Since the sale, Carvel had been in a consulting capacity to the company.

House seeks stiffer child labor fines

WASHINGTON — The House of Representatives has startled the foodservice industry by including in its budget reconciliation bill a provision to dramatically increase the penalties for violations of child-labor laws.

The measure would establish a minimum penalty of $1,000, which is currently the maximum fine per violation. That ceiling would be raised tenfold, to $10,000. In addition, the change would permit the U.S. Labor Department to assess the maximum fine without justifying the penalty in court.

Lawmakers have been seeking to stiffen the penalties in the wake of what they allege is a sharp increase in violations of child-labor laws, particularly those limiting the hours that 14- and 15-year-olds may work. However, lawmakers were not expected to seek a change until a new Congress convenes in January.

The foodservice industry has maintained that better education of employers would curb violations of child-labor laws more effectively than would stiffening the penalties.

Menu price inflation slows

WASHINGTON — Foodservice operators held the line on menu prices in September, with year-to-year, unadjusted prices for food away from home rising 4.5 percent, according to the Labor Department's consumer price index.

The softening in menu price inflation comes after restaurants had carved out six months of increases that hovered near 5 percent year to year.

September's hike ties the rate of increase in January as being the lowest this year.

When September's 5.3 percent annual sales gain at eating and drinking places is contrasted against the 4.5 percent yearly rise in menu prices, then restaurant traffic — which analysts calculate by subtracting menu prices percentage differences from sales percentage differences — increased in September by eight-tenths of a percent. In August, restaurant traffic fell 1.3 percent.

Arby's acquires Daddy-O's Express

ATLANTA — Arby's Inc. has purchased the five-unit Daddy-O's Express, a double drive-thru chain, from Columbus, Ohio-based G.D. Ritzy's Inc. for an undisclosed amount.

Daddy-O's outlets, which range from 550 to 650 square feet, serve up low-priced hamburgers, hot dogs, chicken sandwiches, burritos, french fries, salads and milkshakes.

Arby's — which is also planning to launch its Roadhouse Ribs barbecue concept in December — said it plans to franchise both concepts.

Spectrum settles disability lawsuit, reopens Ciao

SAN FRANCISCO — Spectrum Foods has reopened its Ciao Ristorante after reaching an out-of-court settlement with the Disability Rights Education & Defense Fund, which had sued the company for failing to make Ciao accessible to handicapped people.

The restaurant will be open for the holiday season and then close for construction after the first of the year. Bringing the restaurant up to code is expected to cost more than $200,000, Spectrum vice president of operations Hazem Ouf indicated.

Spectrum recently closed 11-year-old Ciao pending a November trial on the merits of the lawsuit.

The company said it was willing to improve handicapped access but maintained that the age and configuration of the building housing the restaurant made it cost prohibitive to fully comply with access laws.

Equal access advocates charged that 14-unit Spectrum, which rings up annual sales of about $40 million, could afford to do the work.

Hattaway opens new steak house

ORLANDO, Fla. — Former Red Lobster Restaurants president Bill Hattaway said he is turning 550 to 600 covers on weekends in his new 275-seat Outlaws Steakhouse & Cantina, which just opened on East Colonial Drive here.

"I think we're going to make it with this thing," said Hattaway of his hybrid unit, which he calls "a steakhouse for the '90s." The concept marries a casual American West theme with seafood and steaks.

In addition to 24-ounce Porterhouse, and swordfish at $14.95, Outlaws serves nine sandwiches and nine entrees under $10.00. Signature starters include Armadillo Eggs (cheese-stuffed and fried jalapeño peppers).

Bush backs industry on rights bill

by Peter Romeo

WASHINGTON — In the wake of President Bush's rejection of Congress' Civil Rights Act, foodservice executives are cautiously voicing hopes that the battle against the much-feared legislation has virtually been won — at least for now.

Democratic Congressional leaders have vowed to override the president's veto. However, when the landmark act was passed by the House and Senate, it failed to garner the two-thirds majority that would be necessary to ram the measure into law without the president's signature.

In addition, supporters of the Civil Rights Act do not have much time to muster support for their cause. Congress is scrambling to hammer out a budget accord with the White House and is widely expected to recess immediately afterward.

"I don't think we're going to see any further activity on this during the current Congress," said Elaine Graham, director of federal relations for the National Restaurant Association.

However, she cautions that civil-rights advocates may resume their struggle to enact the measure when Congress reconvenes in January.

The Civil Rights Act is "potentially the most devastating piece of legislation for our industry in years," Herman Cain, president of Godfather's Pizza and chairman of the NRA's government affairs committee, told fellow NRA board members at a recent meeting.

The measure would permit women and minority members who believe they were the victims of job discrimination to sue their employers for large sums of money, with juries deciding the exact amounts.

Moreover, instead of requiring the plaintiffs in such suits to prove that they were victims of prejudice, the law would put the burden of proof on the defendants. To win a case, a business would either have to demonstrate that it employs an appropriate proportion of women and minorities, or convince the jury that the ratios are out of whack because of "business necessities."

Foodservice trade associations and other business groups have argued that the test of culpability would prompt employers to set hiring quotas for minorities and women.

President Bush has concurred with that view and has promised to reject the act unless it is substantially altered.

FINANCIAL NEWS

Charge drains Pepsico's 3rd Q restaurant earnings

by Bill Carlino

PURCHASE, N.Y. — After posting 39-percent and 35-percent leaps in year-to-year operating profits during its first two periods, respectively, Pepsico's restaurant division fell to earth in the third quarter, reporting a modest 6-percent uptick in profits, to $147.3 million.

Results were flattened by a $17.6 million pretax charge Pepsico took for the planned closure of underperforming restaurants in all three of the company's chains. Of the charge, $9 million was earmarked for Pizza Hut, $4.6 million for Kentucky Fried Chicken, and $4 million for Taco Bell.

Before the charge, operating profits were up 19 percent, to $164.9 million.

For the 12-week period ended Sept. 8, the foodservice and soft-drink conglomerate based here said net sales for its Taco Bell, Pizza Hut and Kentucky Fried Chicken businesses rose 18 percent, to $1.5 billion.

The company said it incurred the store closure charge in part to blunt the taxable portion of the $100.2 million gain it received from August's initial public offering of Kentucky Fried Chicken, Japan — Pepsico's joint venture with Mitsubishi.

A spokesman added that the capital received from the IPO was applied to Pepsico's corporate income, rather than directly to restaurant earnings.

On an individual basis, Taco Bell turned in the best performance of Pepsico's chains in the third quarter, reporting a 19-percent jump in profits, to $48.3 million, on sales of $432.6 million, a 16-percent hike.

In addition, the 3,000-unit quick-service Mexican food chain also showcased an 11-percent increase in same-store sales, the highest in Pepsico's restaurant group.

Operating profits for Pizza Hut rose 5 percent, to $65.1 million, on a 21-percent sales gain, to $719.1 million.

The 6,800-unit operation also reported a same-store sales hike of 5 percent over figures from the third quarter last year.

However, profits for the 8,000-unit KFC slumped 7 percent, to $33.9 million, after the $4.6 million charge for store closures.

The company said discount programs hurt profit margins at U.S. units.

Earlier this year, both franchised and company-owned units of KFC began discounting their five- and 10-piece buckets of chicken in a heralded return to "1979" prices.

Sales at KFC jumped 14 percent, to $371.1 million, during the period, but same-store sales rose just 2 percent.

The profit dip at KFC comes amid a spirited comeback effort by the chain. During the first two periods of the year, KFC's profits had been a source of optimism for Pepsico with 37 percent and 39 percent climbs, respectively.

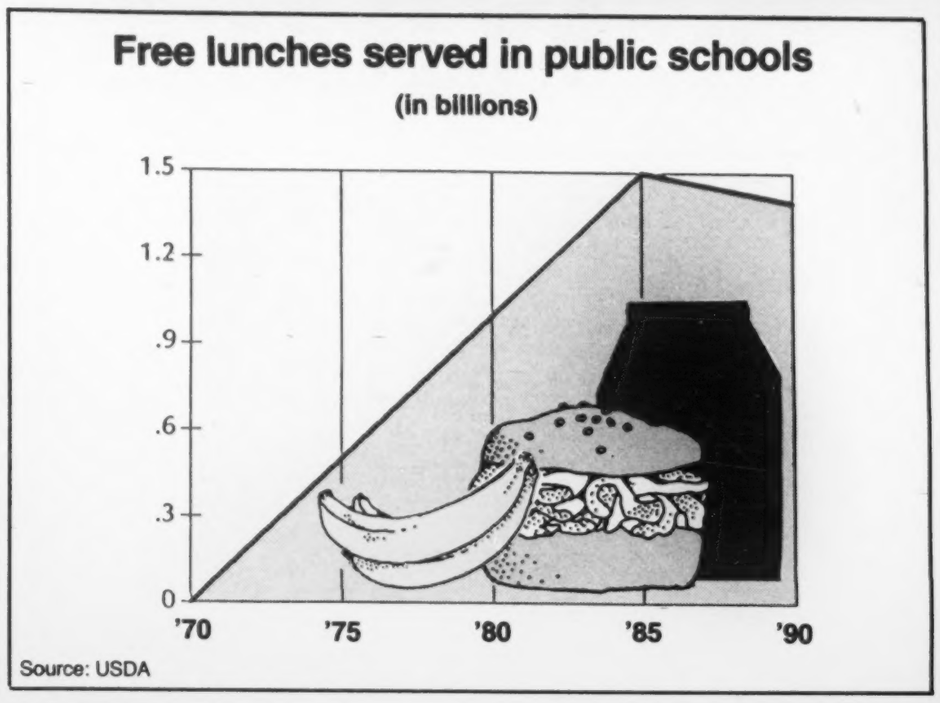
The chain also installed S & A Corp veteran Kyle Craig as president of KFC USA and rolled out its long-anticipated "Hot Wings" menu item.

For the 36-week period, Pepsico restaurant profits jumped 22 percent, to $375.9 million, on a 9-percent increase in sales, to $3.8 billion.

In a profit breakdown for the nine-month span, KFC reported the biggest gain in profits, with a 31-percent hike, to $93.4 million, while Taco Bell's profits jumped 21 percent, to $102 million. Pizza Hut reported profits of $181 million, a 20-percent gain over the year-ago 36-week period.

Overall, net income for Pepsico Inc. jumped 25 percent, to $336.6 million, on a 15-percent increase in sales, to $4.5 billion.

FACT FILE



FINANCIAL DIGEST

ShowBiz overcomes year-ago loss

IRVING, Texas — Buoyed by a comparable same-store sales gain of 5.2 percent, ShowBiz Pizza Time Inc. overcame a year-ago third-quarter loss to make $4.3 million in net income, on a 10-percent gain in revenues, to $48.4 million.

A year ago the company lost $1.8 million on revenues of $44 million.

For the 36 weeks ended Sept. 28, revenues jumped 7 percent, to $138.9 million, with net income soaring to $11.6 million vs. $2 million a year ago.

Earnings last year were adversely affected by a $4.5 million asset write-off related to the closing of 27 Monterey House restaurants.

The company attributed its improved performance to a 5.2-percent gain in comparable-store sales among company-owned ShowBiz and Chuck E. Cheese restaurants and the 29.4-percent same-store sales gain that was shown by Monterey's Tex-Mex Cafe.

"Our Monterey's Tex-Mex Cafe Restaurants achieved profitability for the first time this quarter," said Richard M. Frank, chairman and chief executive officer.

Trump fights bankruptcy at Taj Mahal

WASHINGTON — In an Securities and Exchange Commission filing, Donald Trump's Taj Mahal Funding Inc. and Trump Taj Mahal Associates L.P. said it might be forced to file for bankruptcy protection if a recent restructuring is rejected.

Trump said the company and the partnership believed that the restructuring amendments were its only alternative to filing for bankruptcy.

Under the restructuring plan, additional bonds worth a principal amount of $47.3 million would be issued. It would also permit the issuance of up to $164.7 million worth of series B bonds and would allow the Nov. 15 interest payment on the series A bonds to be paid with additional bonds. Also proposed are changes in the interest rate structure and maturity on the various bonds.

Old Spaghetti Warehouse net soars

GARLAND, Texas — Old Spaghetti Warehouse Inc. said net income soared 56 percent in the fourth quarter, to $934,381, on a 39-percent increase in revenues, to $10.6 million.

For the year ended June 30, net income rose 53 percent, to $2.9 million. Revenues for the year rose 33 percent, to $37.2 million.

OSW operates 15 restaurants in Texas, Ohio, Florida, Tennessee, Georgia, New York, Pennsylvania and Oklahoma. The company had expected to open a new unit in downtown Little Rock, Ark., this month and plans to open another in downtown Charlotte, N.C. in January 1991.

Cooker posts 24% profit rise for 3rd Q

COLUMBUS, Ohio — Cooker Restaurant Corp., operator of 11 Cooker Bar and Grille restaurants in four states, posted a 24-percent rise in net income, to $529,000, for the third quarter ended Sept. 30.

The company reported a 15-percent rise in sales, to $8.7 million, for the quarter.

For the first nine months of the company's fiscal year, net income rose 35 percent, to $1.5 million, on a sales rise of 17 percent, to $25 million. Chief operating officer William Esch attributed the rise in sales to continued operating margin improvement as well as to restaurant openings in Livonia, Mich., and Columbus, Ohio.

FOOD PRICE OUTLOOK

Roundup of this year's fruit supplies

by Patt Patterson

Most of the fruit and vegetable packs, both canned and frozen, are completed or nearly complete. Last issue we looked at vegetable supplies. This week here's a quick rundown on fruit supplies.

The **canned cling peach** pack from California was up slightly, about 3 percent, and carryover was strong, so supplies should be more than adequate and prices may slack off a bit.

Imports are down, but South America is taking a bigger role. For the first seven months of this year, Argentina and Chile together accounted for nearly 38 percent of canned cling peach shipments. Greece was still the major factor, with nearly 52 percent of the market, and nearly four-fifths came in foodservice or larger sizes.

Frozen peaches are in a tighter position, and prices of pie slices are running higher than last year's.

Freestone peach supplies are tight. There was practically no carryover from last year, and this year's pack was way off. Prices have been firm to rising.

The **fruit cocktail** pack is expected to be slightly larger, but expect prices to remain stable. Export demand has been strong, and that's siphoning off a lot of product.

The **pear** pack is up in both California and the Northwest, about 5 percent, so supplies should be good. It's still too early to tell how prices will run.

Apples are a mixed bag. **Frozen apples** will be in greater supply than the past five-year average, although they're down a bit from last year. **Canned sliced apples,** on the other hand, are expected to be just about at the five-year average.

The applesauce pack is expected to be about 5 percent smaller than the five-year average and down about 2 percent from last year's pack. There could be some increases in **applesauce** prices.

Pineapple supplies are adequate. Hawaii has posted a good pack, but Thailand production is down sharply, with much of what has been packed going to Japan.

Thailand will be out of the Fancy label game for much of the next year.